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## Premera wants to transfer health-care coverage for poor

**By Kyung Song**

*Seattle Times staff reporter*

Premera Blue Cross wants to stop providing Medicaid and Basic Health Plan coverage in Washington state and transfer its contracts to a California-based company that specializes in government-sponsored health plans for low-income people.

The deal with Molina Healthcare would switch Premera's 43,000 Medicaid members and 23,000 Basic Health members to Molina's managed-care providers later this year. About 80 percent of doctors and hospitals who accept Premera's Medicaid and Basic Health Plan members also belong to Molina's provider network.

Molina hopes to sign up many of the remaining nonparticipating physicians and clinics, but some patients would have to find new doctors. The company already is Washington's largest Medicaid managed-care insurer and the second-largest provider of the state's Basic Health Plan.

The transfer must be approved by the state.

Medicaid is a state-federal program that provides health-care coverage for the poor and disabled. About two-thirds of Washington's 900,000 Medicaid clients are children. About half of the members belong to Medicaid's managed-care plans, called Healthy Options, which are administered by private insurance companies. The rest belong to the traditional fee-for-service plan provided directly by the state.

### **Molina Healthcare**

Molina Healthcare is a private, for-profit company that specializes in managed health-care plans for low-income people. It is Washington's largest Medicaid managed-care insurer and the second-largest provider of the state's Basic Health Plan.

The Basic Health Plan, which has 138,000 members, is a state-subsidized plan for the working poor, mostly adults with incomes below 200 percent of the federal poverty level.

Mountlake Terrace-based Premera, Washington's largest health insurer, would be the latest major insurance carrier to scale back or pull out of Medicaid and Basic Health Plan coverage.

- Headquarters: Long Beach, Calif.
- Founded: 1980
- Membership: 564,000 in California, Washington, Michigan and Utah (190,000 in Washington).
- 2003 financials: Net income of \$42.5 million on revenue of \$794 million

Group Health Cooperative of Seattle this year dropped its Medicaid Healthy Options plan in Snohomish County and cut its enrollment in King and Pierce counties, although the company said it remains committed to serving low-income patients.

Regence BlueShield, Premera's largest rival, no longer provides Healthy Options in King County.

Medicaid and Basic Health's reimbursement rates tend to be lower than those for private insurance plans, so the state has struggled to sign up enough doctors and clinics to ensure adequate geographic coverage. For instance, Healthy Options is unavailable this year in two rural Washington counties, Wahkiakum and Asotin, forcing patients to find doctors who accept fee-for-service Medicaid clients.

The impact on Basic Health members might be even more pronounced because Premera operates in nine counties, including Yakima, Whatcom and Stevens, where Molina now does not.

"Our biggest concern is that we maintain continuity of care," said Dave Wasser, a spokesman for the state Health Care Authority, which oversees the Basic Health Plan. Premera's proposed deal "makes it that much tougher for us to make sure that we have a presence in every county."

MaryAnne Lindeblad, a director of program support for Medicaid, said Premera's Medicaid clients could expect minimal changes. Benefits wouldn't change, and anyone who wouldn't want to switch to Molina likely would have one or two other carriers to choose from, she said.

Still, Lindeblad lamented Premera's decision to opt out of Medicaid and Basic Health.

"One less plan certainly means less competition" and one fewer choice for patients, she said. About a half-dozen companies now participate in the state-sponsored health plans.

Healthy Options and Basic Health account for 3.6 percent and 1.9 percent, respectively, of Premera's 1.2 million enrollment in Washington. Chris Jarvis, a Premera spokesman, said both products are profitable. But Premera wants to drop the plans because of the

small number of members and the extra costs required to administer the insurance, Jarvis said.

Molina does not sell commercial health insurance.

Dr. Mario Molina, the company's chief executive, said many low-income patients have special needs, with language, transportation and social issues. He said Molina's brochures are written at a third- or fourth-grade level and the company employs multilingual staffers who can communicate with clients in Russian, Vietnamese, Spanish and other languages.

"Large companies with a small focus (on government health plans) don't do as well" with such a population, said Molina, whose father, C. David Molina, an emergency-room doctor, founded the company in 1980.

The proposed transaction must be approved by the state's Medical Assistance Administration and the Washington Health Care Authority.

The switch likely would not occur before June 1.

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